

Item 6.**Tender – Reject and Negotiate and Contract Variation – T-2025-1717 –
Operation and Maintenance of the Green Square Water Reuse Scheme****File No: X129613****Tender No: T-2025-1717****Summary**

The Green Square Water Reuse Scheme is a City water recycling scheme supplying recycled water to residential and commercial developments, City properties and public open space, supporting potable water conservation and water resilience.

The current Major Services Agreement expires on 30 October 2026. The City undertook an open public tender to secure a long-term operation and maintenance provider. Six organisations registered interest and attended the compulsory site briefing.

A reject and negotiate process is proposed to further test the market and negotiate with suitable parties to determine whether a long-term operation and maintenance arrangement can be secured.

This report seeks Council approval to reject the tender submissions received under Tender T-2025-1717 and proceed with a reject and negotiate process with the goal of securing a long-term operation and maintenance arrangement for the Green Square Water Reuse Scheme (GSWRS). Council approval is also sought to extend the current Major Services Agreement with Sydney Water Corporation for 9 months, with an option for a further 3 months if required, to allow sufficient time to undertake the negotiation process without interruption to Scheme operations.

Recommendation

It is resolved that:

- (A) Council decline to accept the tender offers received under Tender T-2025-1717 for the operation and maintenance of the Green Square Water Reuse Scheme (GSWRS)
- (B) Council does not invite fresh tenders as it is considered that inviting fresh tenders would not attract additional suitable vendors over and above those that have responded to this tender
- (C) authority be delegated to the Chief Executive Officer to enter into negotiations with any person with a view to entering into a contract on terms that are appropriate in relation to the subject matter of the tender and to determine whether an appropriate long-term operation and maintenance arrangement can be secured
- (D) Council approve a variation to increase the total contract value and to extend the existing Major Services Agreement with Sydney Water Corporation for 9 months commencing 1 November 2026, with an option for a further 3 months, to allow sufficient time to undertake the negotiation process while maintaining continuity of the Green Square Water Reuse Scheme operations
- (E) Council note that the revised total contract value for this contract is outlined in Confidential Attachment A to the subject report
- (F) authority be delegated to the Chief Executive Officer to finalise, execute and administer the variation to the contract to give effect to the resolutions above
- (G) authority be delegated to the Chief Executive Officer to exercise the option referred to in clause (E), if appropriate
- (H) Council be provided with updates on the operation and maintenance of the Green Square Water Reuse Scheme via the CEO Update.

Attachments

Attachment A. Tender evaluation summary and financial implications (Confidential)

Background

1. The Green Square Water Reuse Scheme (GSWRS) is a City of Sydney Council (City) water infrastructure asset and forms a component of the City's long term water resilience strategy. The Green Square Water Reuse Scheme captures stormwater from the Green Square trunk drainage system and produces recycled water for non-potable uses, including toilet flushing, irrigation, laundry and cooling tower make-up water. Recycled water is supplied to residential developments, commercial buildings, City properties and public open space throughout Green Square.
2. Recycled water is integral to our vision. Connecting to recycled water for non-potable uses such as toilets, cooling towers and irrigation reduces demand on drinking water. It also allows our parks and open spaces to remain green and cool even during drought. The Green Square Water Reuse Scheme (GSWRS) is a key part of this vision and is one of Australia's largest residential stormwater harvesting and reuse schemes.
3. The water is treated on-site at the Green Infrastructure Centre before being sent to storage tanks hidden under the nearby Matron Ruby Grant Park. It is then delivered to the Green Square town centre and surrounding apartment buildings via a series of purple pipes – making it easy to distinguish from potable water – and is used to flush toilets and water green spaces.
4. On 7 November 2011, Council resolved to tender for the design, construction, operation, maintenance, and retail supply of a recycled water system for Green Square (Item 7.4 – Green Square Town Centre Recycled Water System – Feasibility Study).
5. Following completion of design and construction, the Green Square Water Reuse Scheme commenced operation in 2018.
6. Since commissioning, the Green Square Water Reuse Scheme has continued to expand in line with the staged development of Green Square. The recycled water network now supplies a growing number of residential, commercial and municipal customers, with additional developments connecting as the precinct grows.
7. To support future demand, the City is currently delivering an upgrade of the Green Square Water Reuse Scheme's water treatment plant, increasing its capacity from approximately 800 kilolitres per day to 1,250 kilolitres per day. The expansion is intended to provide sufficient recycled water production capacity to meet forecast demand while improving operational resilience and treatment performance.
8. The Green Square Water Reuse Scheme reduces potable water demand, improves water resilience, reduces stormwater discharge and supports sustainable urban renewal in Green Square.

Operating history

9. Under the original design and construct contract, the appointed contractor was responsible for the design, construction, commissioning, operation and maintenance of the Green Square Water Reuse Scheme for an initial operating period following commissioning.
10. This operating model reflected the City's original procurement strategy, recognising that operation of a recycled water treatment plant is a specialised service requiring experienced operators, while enabling the City to retain ownership of the infrastructure and strategic responsibility for the Green Square Water Reuse Scheme.

11. The contractor successfully operated and maintained the Green Square Water Reuse Scheme from its commissioning in 2018 until 2022.
12. In 2022, the appointed contractor advised the City that it elected not to continue providing operation and maintenance services beyond the contractual operating period.
13. As ongoing operation of the Green Square Water Reuse Scheme was essential to maintaining recycled water services to existing customers, Sydney Water Corporation (Sydney Water) was engaged as the new operator under a Major Services Agreement and assumed responsibility for operation and maintenance of the Green Square Water Reuse Scheme from December 2022.
14. Sydney Water's appointment enabled continuity of recycled water services while the City continued managing the Green Square Water Reuse Scheme 's strategic development and expansion of the treatment plant capacity.
15. The City has retained ownership of the Green Square Water Reuse Scheme and responsibility for strategic asset management, customer management, budgeting, regulatory compliance, and long-term planning and contract management, while routine operation and maintenance has been undertaken under the Sydney Water contract.

Regulatory environment

16. The Green Square Water Reuse Scheme was originally established under the regulatory framework of the *Water Industry Competition Act 2006*, including the requirement for water licences to operate water recycling schemes (WICA licence).
17. In March 2024, section 8(2) of the *Water Industry Competition Regulation 2024* provided that water industry infrastructure operated or owned by or on behalf of a council before 1 March 2024 were excluded from the requirement to hold a WICA licence to operate a water recycling scheme.
18. On 6 May 2025 the Independent Pricing and Regulatory Tribunal (IPART) confirmed that the above exclusions apply to the Green Square Water Reuse Scheme and it is therefore exempt from the requirement to hold a WICA licence.
19. On 27 November 2025 IPART confirmed that the completion of the current treatment plant capacity expansion project would not trigger the requirement for a WICA licence as the changes were primarily operational improvements with no increase to treatment capacity or change in technology.
20. Accordingly, the current operation and upgrade of the Green Square Water Reuse Scheme as does not require the City to hold a WICA licence for its operation. The RFT did not require tenderers to hold a WICA licence.

Invitation to tender

21. The request for tender (RFT) was advertised on the City's Tenderlink portal. The tender was issued on 4 May 2026 and closed on 10 June 2026.
22. The RFT was also available on the Supply Nation and NSW Indigenous Chamber of Commerce (NSW ICC) websites via their member opportunity boards.

Tender submissions

23. Two organisations submitted a tender bid:
- Innaco Pty Ltd (ABN 33 119 715 052)
 - Sydney Water Corporation (ABN 49 776 225 038)
24. No late submissions were received.

Tender evaluation

25. All members of the Tender Evaluation Panel have signed conflict of interest declarations. No conflicts of interest were noted.
26. The relative ranking of tenders as determined from the total weighted score is provided in the Confidential Tender Evaluation Summary - Attachment A.
27. All submissions were assessed in accordance with the approved evaluation criteria being:

Evaluation criteria	Weighting (%)	Overall (%)
Company Capacity: Company profile, water reuse and reticulation system O&M experience, history, org chart, Modern Slavery compliance, Quality Management Systems, Environmental programs, social procurement and Aboriginal and Indigenous involvement. Programs and systems that display good corporate citizenship and align with the values of the City of Sydney.	10	65
Personnel Capability: The people, the team including any sub-contractors, qualifications, technical ability, personal experience, CVs, percent allocation of key people.	10	
Proposed Methodology: Deals with operations and process control, water quality management (AGWR), maintenance and asset management, incident response, WHS, and Heavy Vehicle Chain of Responsibility compliance. Site-specific considerations in proposed methodology including Site Access and Traffic Management Plan, schedule of plant, equipment and materials. Quality of example O&M documentation, example WHS Management Plan and water quality management plan. On-call coverage plan and emergency response plan.	10	

Evaluation criteria	Weighting (%)	Overall (%)
Service Delivery Program: Draft service program including mobilisation, transition, and operation phase, preventive maintenance schedule, monitoring and reporting, rostering.	10	
Relevant Experience: Provide three examples of the operation of similar recycled water scheme(s) including reticulation. Project experience inclusive of ultrafiltration and reverse osmosis, demonstrating compliance and performance. Example projects are of a similar size and nature, with more than 30 connected customers, and demonstrate the direct capability to deliver a project as described in the tender specification.	20	
Performance, standards and reporting: demonstrated experience and understanding of the KPI framework, data/reporting systems, transparency, continuous improvement.	5	
Mandatory criteria: Financial and commercial trading integrity, Insurance is compliant with the City's requirements, as confirmed by Insurance Services, Material Acceptance of the City's Standard Form Contract.	Mandatory	
Schedule of Prices	20	35
Schedule of Rates	15	
Total percentage	100	100

Recommendation to reject and negotiate

28. A reject and negotiate process is recommended following the outcome of Tender T-2025-1717.
29. The open tender has tested the current market for the operation and maintenance services required by the Green Square Water Reuse Scheme . While the process demonstrated some market interest, no tenderer is appointable.
30. Re-tendering is not recommended. There is insufficient evidence that re-tendering would result in a different outcome. Re-tendering would require additional procurement time while the current operating agreement approaches its end date.

31. The reject and negotiate process provides an opportunity to engage directly with suitable parties that have demonstrated interest in the Green Square Water Reuse Scheme, better understand their ability and requirements, address matters identified during the previous tender process, and seek a viable long-term operation and maintenance arrangement.
32. The proposed extension of the current Major Services Agreement with Sydney Water is needed to provide time to undertake the reject and negotiate process while continuing the operation of the Green Square Water Reuse Scheme services.

Options

33. Option 1 – Proceed with reject and negotiate (recommended)
 - (a) Proceed with a reject and negotiate process with suitable parties.
 - (b) This is recommended because the recent open tender has demonstrated market interest but did not result in a contract award. Further engagement with suitable parties provides an opportunity to negotiate directly with appropriate suppliers to determine whether a viable long-term arrangement can be secured on suitable terms.
34. Option 2 – Re-tender (not recommended)
 - (a) Undertake a new open tender for the operation and maintenance of the Green Square Water Reuse Scheme.
 - (b) This is not recommended because the recent open tender has tested the market but did not result in a contract award. Re-tendering would require additional time without ensuring a successful outcome, while the current agreement approaches its end date.

Risks

35. The ongoing operation of the Green Square Water Reuse Scheme is consistent with the City's risk appetite which notes that we embrace innovative solutions and emerging technologies that enable us to enhance sustainability.
36. The City's Risk Appetite Statement acknowledges that we actively explore and invest in sustainable alternatives, renewable energy sources and efficient resources allocation. However, it also acknowledges that we have no appetite for operations outside laws and relevant industry standards and seek to strike a balance between innovation and protecting our reputation. There are a number of competing risk elements in relation to the operation of Green Square Water Reuse Scheme which will be assessed as part of the reject and negotiate process.

Financial Implications

37. Financial implications associated with the proposed extension, including contingency for variations in operating and maintenance costs, are detailed in Confidential Attachment A.

Relevant Legislation

38. The procurement process has been undertaken in accordance with the Local Government Act 1993 and Local Government (General) Regulation 2021.
39. Sydney Water is currently providing operation and maintenance services for the Green Square Water Reuse Scheme. As set out above, the City is exempt from the requirement to hold a WICA licence to operate the Green Square Water Reuse Scheme and the tender was carried out on the basis that the City would be responsible for the licence requirements of the Green Square Water Reuse Scheme and the tenderers would not be required to hold a WICA licence for the Green Square Water Reuse Scheme.
40. Local Government Act 1993 - Sections 10A and 10B provide that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business if it is in the public interest to do so.
41. Attachment A contains confidential commercial information of the tenderers and details of Council's tender evaluation and contingencies which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
42. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest. The reasons supporting this are that disclosure of the confidential information would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers. In addition, disclosure of the information provided in the course of the procurement process and the assessment of that information would prejudice the commercial position of the participants in the procurement process.

Critical Dates

43. 30 October 2026 – current contract expires.

KIM WOODBURY

Chief Operating Officer

Mufid Noufal, Water Systems Manager